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Republican Tax Cuts and New Tax Surplus Numbers

When you add all the Republican tax breaks to date, and add the Bush Social Security privatization proposal, it comes to \$3.4 trillion. That exceeds by more than 50 percent the available surplus.

— **Minority Leader Daschle**, *Congressional Record*, July 18, 2000

Math is hard.

— **Talking Barbie**

Republican Tax Cuts: How They Stack Up

Five tax-reduction bills adopted by the U.S. Senate are pending (awaiting House action, in conference, or are on their way to the President): the Death Tax Elimination Act, Marriage Tax Penalty Relief Reconciliation Act, the Affordable Education Act, Small Business Tax Fairness Act, and Quality Care for the Uninsured Act. In addition, the House has adopted a repeal of the telephone excise tax and amendments to the Taxpayer Bill of Rights.

According to the Senate Budget Committee, after you account for similar provisions included in more than one bill, the total five-year cost of all of these bills is about \$140 billion. Over 10 years, the cost is around \$440 billion.

Social Security Reform: A Maximum Investment Figure

Meanwhile, Governor Bush has proposed a plan to allow workers to set aside a portion of their Social Security taxes into Personal Savings Accounts that would help fund their retirement. While the Governor has not laid out the specifics of his plan, similar proposals would allow individuals to invest up to 2 percent of their wages into these accounts. Using the 2-percent level, it is possible to estimate the *maximum* investment workers could make into these new accounts.

According to the Social Security Administration, taxable payroll over the next 10 years will total about \$50 trillion. Two percent of \$50 trillion is \$1 trillion. Keep in mind, that's the maximum investment, assuming the program starts immediately (it won't) and everybody participates completely (they won't).

Total (Maximum) Tab Amounts to Well Less Than Projected Surplus

Add the two together — Republican efforts to return the tax surplus to working families and plans to create individually-owned and controlled Personal Savings Accounts — and you get less than \$1.5 trillion over the next 10 years.

On the other hand, the Congressional Budget Office (CBO) announced this week it was raising its tax surplus estimates over the next 10 years to \$2.2 trillion, not counting Social Security. Including Social Security, the 10-year tax surpluses are \$4.6 trillion. By either measure, the Republican tax cuts and Bush Social Security reforms fit well within the money CBO estimates will be available.

Bottom Line: Republican efforts to return part of the tax surplus to American families and reform Social Security can easily be accommodated by expected surpluses and are nowhere near the \$3.4 trillion claimed by the minority.

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